

This record is a partial extract of the original cable. The full text of the original cable is not available.

081056Z Apr 03

UNCLAS SECTION 01 OF 02 ANKARA 002258

SIPDIS

SENSITIVE

STATE FOR E, P, EUR/SE AND EB
TREASURY FOR U/S TAYLOR AND OASIA - MILLS
NSC FOR QUANRUD AND BRYZA

E.O. 12958: N/A

TAGS: [ECON](#) [PREL](#) [TU](#)

SUBJECT: TURKEY'S ECONOMY APRIL 8: SUCCESSFUL T-BILL
AUCTIONS RAISE NEARLY \$2 BILLION

Sensitive but unclassified. Not for internet distribution.

Treasury Auctions Raise Nearly \$2 billion;
Yields in Line with Market Expectations

1. (U) Treasury raised a total of TL 3.26 quadrillion (\$1.97 billion) in two debt auctions on the morning of April 8. Results were:

Maturity of Paper -----	Net Amt Sold (quad) -----	Compounded Interest Rate -----
Oct. 8 Bill	TL 0.801	57 pct
Apr 24 Bond	TL 2.456	62.8 pct

2. (SBU) Comment: The lira appreciated nearly one percent this morning to TL 1,632,000, and Central Bank reports some foreign exchange inflows, but the great majority of bids in these auctions were from local banks. The GOT has now bought itself a little breathing room, given that the next big debt payments are April 24 (about \$1 billion) and May 7 (about \$2.5 billion). It needs to use this time to reduce T-bill yields through strong IMF program implementation. End Comment.

French Delay G-7 Statement of Support

3. (SBU) G-7 finance ministers issued a statement of support for Turkey late on April 7, stating the G-7 strongly welcomes the signing of the IMF letter of intent and the renewed and strengthened commitment of the GOT to advance financial stability and economic reform. IMF resrep (protect) told us April 8 am that IMF staff had hoped to have the statement released earlier, well in advance of today's large T-bill auctions, but that France had delayed approval of the statement, for technical rather than policy reasons.

GOT Appoints Two Central Bank Board Members;
Hints at Replacing Treasury Undersecretary

4. (SBU) On April 7, the Government replaced two Central Bank Board members at the Central Bank's regularly scheduled annual meeting. The two new Board members are: Durmus Yilmaz, a Deputy DG of the Central Bank's markets department and Embassy contact; and Dr. Mustafa Ilker, an economics professor from Uludag University. Central Bank official Ikler Domac told us Yilmaz is a religious Muslim, but not known to be close to AKP and is well respected at the CBT. The second appointee, Mustafa Ilker is an AKP cadre and close to MP Nazim Ekren. There are six GOT-appointed Central Bank board members, each has a three-year term.

5. (SBU) Also on April 7, MinState Babacan commented to Reuters about the rumors that Treasury U/S Faik Oztrak will soon be replaced. Babacan said, "There is no definite decision but that doesn't mean there will not be a change. There could be a change over the coming weeks." Bloomberg

News Service on April 6, and Sabah newspaper April 8, both report rumors that the GOT will replace Oztrak shortly. Oztrak's likely replacement (according to press and our AKP sources) is Mesut Pektas, PM Erdogan's deputy at the Istanbul municipality in charge of city finances. He also worked at al-Baraka Turk Islamic finance house and as a Finance Ministry inspector.

16. (SBU) Comment: The new government should be expected to put its own people in key positions, but the timing of the Oztrak rumors - right before this week's T-bill auctions - is bad. JP Morgan/Chase Treasurer Gumisdis told us April 7 that Oztrak is trusted, and getting rid of him at this sensitive time would not help rebuild market morale. The Central Bank board replacements should be non-controversial. Market rumors say AK might use the new Board members to put pressure on Central Bank governor Serdengecti. However, we will hear directly from the Governor, if such pressures materialize.
PEARSON